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ULTRADATA SYSTEMS INC  
Form 10KSB  
March 28, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-KSB  
ANNUAL REPORT PURSUANT  
to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-25380

ULTRADATA SYSTEMS, INCORPORATED  
(Name of small business issuer in its charter)

Delaware

43-1401158

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(State or other jurisdiction of  
incorporation or organization)

(IRS Employer Identification No.)

1240 Dielman Industrial Court, St. Louis, MO.

63132

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(Address of principal executive office)

(Zip code)

Issuer's telephone number, including area code: (314) 997-2250

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.01 Par Value  
(Title of Class)

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to the Form 10-KSB.

State the issuer's revenues for its most recent fiscal year: \$1,741,557

The aggregate market value at March 11, 2003 of the voting stock held by non-affiliates, based on the closing price as reported by the National Quotations Bureau, was approximately \$646,477. The aggregate market value has been computed by reference to a share price of \$0.14 (the price at which stock was sold, or the average bid or asked price of such stock on March 11, 2003). All directors, officers, and stockholders owning more than five percent of the outstanding common stock of the Registrant have been deemed "affiliates" for the purpose of calculating such aggregate market value. The number of shares outstanding of the issuer's common stock, as of March

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11, 2003, was 4,617,693 Transitional Small Business Disclosure Format:

Yes [ ] No [X]

DOCUMENTS INCORPORATED BY REFERENCE: None

### YOU SHOULD NOT RELY ON FORWARD LOOKING STATEMENTS

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This annual report contains a number of forward-looking statements regarding our future prospects. Among the forward-looking statements are descriptions of our plans to introduce new products to the market, to expand our customer base, to develop products based on a GPS/Internet technology, and to return our company to profitability. These forward-looking statements are a true statement of our present intentions, but are neither predictions of the future nor assurances that any of our intentions will be fulfilled. Many factors beyond our control could act against Ultradata in its efforts to develop and market its products. Among these factors are:

- \* The fact that our financial resources are minimal and will not sustain us past this year unless our new products are successful;
- \* The fact that our lack of capital severely limits our ability to market our products. As a result, the loss of a significant customer could imperil the marketing of an entire product line;
- \* The difficulty of attracting mass-market retailers to a seasonal product like the Talking Road Whiz(tm); and
- \* The breadth and depth of competition in the GPS market, which will make introduction of our product with a limited marketing budget difficult.

There may also be factors that we have not foreseen which could interfere with our plans. In addition, changing circumstances may cause us to determine that a change in plans will be in the best interests of Ultradata. For this reason, you should not place undue reliance on any of the forward-looking statements in this report, as there is a significant risk that we will not be able to fulfill our expectations for Ultradata.

## PART I

### ITEM 1. BUSINESS

#### Overview

Since 1987 we have been engaged in the business of manufacturing and marketing handheld computers that provide travel information. The products are based upon a data compression technology that we developed, portions of which we have patented. Recent developments in communications technology have opened up new opportunities for us to use our technology. The following paragraphs outline the scope of our operations:

- \* The Company has sold over 3 million of its low-cost handheld travel computers, demonstrating that there is a market for travel information products. To re-awaken that market with an improved product that speaks, the Company has developed a Talking Road Whiz. Deliveries of this product began in March of 2003 and, the Company expects to receive significant revenue in 2003 from sales of this new addition to its product line. It has purchase orders in hand from two major customers for delivery in March 2003. It has a contract with a major distributor

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providing exclusivity in certain channels if 360,000 units are purchased and delivered in calendar 2003.

- \* In 2002 we shipped the reprogrammed beta-test units of our Travel\*Star 24(tm), which combines our travel information with a GPS antenna to enable a driver to obtain his location and directions to his destination while he drives. Improved performance was obtained, but the tests revealed several software problems that have to date prevented marketing of the product. The software issue is still being addressed, and the Company plans to test the market in the second half of 2003.
- \* The Company continues to sell its line of both branded and private-labelled, low-cost travel computers.

Each of our consumer products is designed to allow the consumer to access useful information stored in a convenient manner. Our handheld computers generally sell at retail prices between \$19.95 and \$49.95 per unit. The products have been in retail mass-market chains plus many other locations. The new TRAVEL\*STAR 24 is expected to be offered at retail for under \$400, which should make it very competitive in the auto aftermarket. Its portability and the fact that it requires no elaborate installation offer advantages over the more expensive in-car systems.

### Handheld Travel Computers

#### The Road Whiz(tm) Line of Products

Our core business is a line (currently 7 products) of hand-held computers that utilize our proprietary data compression technology to provide a library of information in a pocket-size box. Most of the products contain travel information, customized to specific markets, and so the flagship products have carried variations of the trademark "Road Whiz(tm)." Within the chip that powers a Road Whiz(tm) can be found information regarding over 100,000 services and amenities along the U.S. Interstate Highway System and directions on how to reach the service or amenity of choice. Some versions of the Road Whiz(tm) also contain information about services and attractions within the cities linked by the Interstate Highway System. The service information provided by a Road Whiz(tm) product includes directions and mileage to gas stations, hotels, motels, hospitals, and 24-hour restaurants, as well as highway patrol emergency numbers. We sell our handheld products through independent sales representatives, mass merchandise retailers, catalog companies, department stores, office supply stores, direct mail promotions, luggage stores and selected television shopping channels.

We have achieved a significant advance in the technology in our product with the introduction of the Talking Road WhizTM. The unit speaks in a clear, loud, real voice appropriate prompts for the user's next action as well as the information presented on the display. This technological improvement makes the unit easier to use and more attractive to buy, and paves the way for other applications of this new technology.

Among the other hand-held products we currently offer are the following:

Road Whiz(tm) Plus provides complete routing information for over 90 cities, giving driving distances, driving time and detailed directions. A similar product made by Ultradata is sold by one of our major distributors under the name Auto PilotTM. Our products are designed to be marketed by mass merchandise retailers.

The Road Whiz(tm) RV Special adds to the standard Road Whiz(tm) features useful for an RV owner, such as the location of dump stations and the

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availability of parking for recreational vehicles at restaurants, and is sold through RV magazines and Camping World stores. AAA TripWizard(r) is the product of a joint effort between Ultradata and the American Automobile Association (AAA). During 1998, we entered into an agreement with AAA to develop an expanded database to include AAA's diamond-rated restaurants and lodging facilities, AAA-approved auto repair, camp grounds and attractions, as well as the AAA ratings, where available, for the facilities in our proprietary Interstate database. This expanded database has been incorporated into a hand-held travel computer called the TripWizard(r). TripWizard(r) is being marketed to AAA's affiliates, consisting of 93 clubs, 1,100 offices and over 41 million members in the United States, as well as through other channels, including QVC.

### Our New Marketing Strategy

After our initial public offering of securities in 1995, we were able to commence widespread marketing of the handheld products. We priced them to the upper range gift market (\$49 to \$129) and focused our marketing efforts on direct sales through television and print ads, as well as through a sales representative network. That strategy was successful in expanding our sales for three years, while the products were new to the market. The expansion of sales, however, did not bring with it a proportionate expansion of profits. Too many of our marketing techniques were only marginally profitable, and as our products lost some of their newness, marketing techniques such as direct mailing produced diminishing returns. For that reason, beginning late in 1998 we revised our marketing strategy. Products without the voice feature now generally retail for \$19.95 to \$29.95. At this price point, we expected to gain sufficient volume to achieve economies of scale with new low-cost manufacturing methods, permitting us to operate profitably at a lower level of annual sales. While we have reduced the cost of marketing as well as other operating costs, we need to increase the volume of sales in 2003 to be profitable. With the new Talking Road Whiz, we expect to achieve the volume necessary for profitability.

Distribution through mass merchandise channels accounted for over 74% of our revenue in 2002. We expect that a small group of mass-market channels will continue to dominate the market for our handheld computer products. The following table identifies the customers to whom over 10% of our sales were made in either of the past two years as well as other mass-market retailers that carry our products. In 2002, sales emphasis shifted from mass-market retailers to other channels of mass distribution that require far less marketing costs. We expect the same array of customers in 2003.

Channel of Distribution	2002 Sales	% of Sales	2001 Sales	% of Sales
Media Solutions Services	\$ 634,339	56.2%	\$ 19,152	1.1%
QVC	\$ 177,552	15.7%	\$ 74,921	4.4%
AAA Clubs	\$ 35,442	2.0%	\$ 50,458	3.0%
Wal-Mart	\$ 30,857	1.8%	\$ 466,855	27.4%
Target	\$ -	-%	\$ 380,532	22.3%
Kmart	\$ -	-%	\$ 335,921	19.7%

Central to the new marketing strategy is our effort to develop a variety of distribution paths, so as to maximize our penetration of the potential market for our products. To date, in addition to our sales to retailers, the following types of distribution have been put in place:

- \* Private Branding. The leading example of the private label marketing strategy was the introduction in 1998 of the AAA TripWizard(r) as a

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joint venture with the American Automobile Association.

- \* Direct Response Marketing. Our largest customer during 2002 was Media Solutions Services. This distributor specializes in multi-media direct-response marketing and has resources and expertise that can achieve high sales effectiveness at relatively low promotional cost. We have received first-quarter 2003 orders from Media Solutions Services amounting to \$221,200 and expect significant additional sales from this customer in 2003.

The objective of this new marketing strategy is an increase in sales revenue with a significant reduction in selling and administrative expense, as the costs attendant to direct retail marketing are reduced. Even though the exponential growth rate that we achieved in 1996 and 1997 is unlikely to be replicated, stabilization of our core business at even a modest level of profitability would provide a foundation on which we could pursue dynamic growth through our entry into the GPS and Internet markets.

### Manufacturing

We do not manufacture any of our products. We retain assemblers to manufacture the products. We procure the microprocessors and memory chips and other unique items, and supply them to the assembler.

At present, there is one manufacturer to whom we contracted most of our assembly work in 2002. Once each year, the manufacturer quotes prices to us based upon estimated annual quantities. Then we place individual purchase orders for production. Our arrangements with this manufacturer - up to the point of a purchase order - are terminable at will by either party. If the manufacturer becomes unavailable to us, alternate sources would be readily available. Nevertheless, the sudden loss of our manufacturer or unanticipated interruptions or delays from our present manufacturer would likely result in a temporary interruption to our planned operations.

### Backlog

As of December 31, 2002 our total backlog was approximately \$164,864, compared to backlog of \$360,600 on December 31, 2001. As of March 11, 2003, the total backlog was \$454,130.

### Patents

We own two patents that are utilized in our Road Whiz(tm) products. They provide us a technological advantage which, to date, has prevented any similar product from appearing. One patent covers our method of compressing data relating to travel information. This compression technology permits our travel products to store more data on smaller and less expensive memory devices. The second patent covers the methodology that enables our travel devices to account for changes that occur when the traveler crosses a state border.

### Database Research

A broad and accurate database is essential to the success of our products. For this reason, we have developed a systematic approach to updating our ROAD WHIZ(tm) database. A significant part of the ROAD WHIZ(tm) database is gathered and verified by "Road Helpers." Road Helpers are generally retirees and others that travel extensively and report to us regarding the facilities they encounter. The data provided by the Road Helpers is, in turn, reviewed and augmented at our corporate headquarters along with use of publicly available information from chains and states on businesses and

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facilities.

### Competition

To date, we have not faced significant competition in selling our handheld computer products. The primary reasons for the lack of competition are:

- \* Our patented data compression technology permits the storage of unusually large volumes of information in low-cost devices.
- \* Our database is unique, and it would be time-consuming to replicate it.
- \* We have fourteen years of experience in developing this line of products, which gives us insight into the needs and desires of the traveling consumer.
- \* We have a simple, low-cost design for our products, which employs a minimum of parts.
- \* We have developed low-cost, but high quality manufacturing sources.
- \* The devices that perform functions similar to those performed by our handheld products are considerably more expensive, and often lack the data quality of our products.

These several factors have, thus far, served as a barrier to any effective competition with our handheld products.

### GPS Products

#### Travel\*Star 24(tm) GPS Auto Navigational System

We have developed a low cost, portable navigation unit for the automotive after-market, which we will market as the "Travel\*Star 24(tm)." The Travel\*Star 24(tm) utilizes the Talon GPS receiver and antenna to pinpoint the longitude and latitude of the moving vehicle. The unit is capable of calculating a route, displaying visual directions and distance as well as providing audible turn-by-turn prompts and warnings when the driver strays from the route. The Travel\*Star 24(tm) also includes an expanded version of the proprietary and unique Road Whiz(tm) database, providing the driver directions to over 200,000 services across the U.S.A. As the driver travels, the GPS signals are referenced to the service database, so that the driver can instantly find businesses, hotels, service stations, rest stops, restaurants, hospitals, tourist attractions, airports, etc. in more than 250 metropolitan areas, as well as directions to over 12,000 smaller cities and towns.

While there are a wealth of potential users for a GPS-based navigation system, we intend to target the Travel\*Star 24(tm) to the 12-volt automotive after-market, which currently consists of over 150 million vehicles and grows by 15 million vehicles annually.

Currently, perhaps 1,000,000 GPS-based navigation systems are sold annually. These include installed original equipment such as "Neverlost" and "Visteon", which are generally priced in the \$2,000 range; low-end hand-held units of very limited capability (generally approximately \$200); and middle market units priced in the \$400 to \$1000 range. Examples across this middle range can be found in the lines of Magellan, Garmin and Lowrance. Travel\*Star 24(tm) will compete in this range, as we expect it to have an initial retail price under \$400. But the Travel\*Star 24(tm) should have several competitive advantages over the middle market competitors:

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- \* Travel\*Star 24(tm) is easier to use than other GPS products for cars;
- \* Travel\*Star 24(tm) provides audible prompts, whereas the competitors use a "moving map" that requires the driver to take his eyes off the road;
- \* No other product in the middle price range can compute routes - the routes must be entered by the user;
- \* Travel\*Star 24(tm) can plan a route to 12,000 towns and cities;
- \* Under development is a low-cost (\$49.95) regional cartridge that can be added to Travel\*Star 24(tm) to provide block-to-block navigation;
- \* Travel\*Star 24(tm) incorporates Ultradata's proprietary data compression technology to provide directions to over 200,000 services, a functionality for which the competition offers nothing comparable; and
- \* Door-to-door, turn-by-turn directions from one address to another can be downloaded from a website through a PC to the Travel\*Star 24(tm) as an added capability designed into the unit.

The Travel\*Star 24(tm) can easily fit into a briefcase or purse; so it is portable to any rental vehicle. Testing has been ongoing and has uncovered several software issues, some of which have been resolved. Additional development and testing is required. So market introduction is planned for the latter part of 2003.

Travel\*Star 24(tm) has taken much longer to complete than originally planned because the tasks and approach were much more difficult than anticipated. Nonetheless, Management feels that the result is a product that outstrips the competition in performance for the price. This assessment is derived from discussions with contacts in the retail markets at trade shows and elsewhere. We are, therefore, anticipating a positive reception when the product finally reaches the market.

### Patents

We hold two additional patents that have potential utility in the GPS market. Patent 5,943,653 was awarded in August, 1999 and covers the delivery of electronic coupons in a handheld computer for discounts of services. The technology can be combined with the GPS locational function to cause time and site-specific coupons to be delivered to the driver offering, for example, a discount at the upcoming hotel. We would, of course, receive a fee for each customer that the hotel gained in this fashion.

The other related patent, which was awarded in May of 1999, covers a method of integrating a GPS receiver into a radar detection device. By use of this patented technology, it becomes practical to eliminate many false radar detection alarms, as well as to provide audible warnings of speed zones.

### GPS/Internet Auto Navigation and Tracking System

For some time we have been planning an effort to exploit the synergy between the communications capabilities of the Internet and the locational capabilities of a GPS antenna. If and when the capital resources become available, we expect to commence development of a GPS/Internet auto navigation and tracking system. The utility of the product will be to create a rich link between the driver and a stationary source of communications, be it a

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family member on a home PC or a hotel chain soliciting the driver's business.

We plan to modify the Travel\*Star 24(tm) to incorporate a cellular transceiver into the existing housing. Information in the vehicle would originate in and be displayed on the Travel\*Star 24(tm), which has a four-line text display and a menu-driven "soft key" user interface. The Travel\*Star24(tm) also has a built-in GPS receiver, and can generate the necessary geo-coordinates to identify the vehicle's location. The vehicle's identity, its geo-coordinates, and any outgoing messages would be passed to the cellular transceiver for broadcast to the local phone cell, then transferred via the Internet to the "Home Base" PC.

At the "Home Base", mapping software would be installed, which can translate the geo-coordinates into a position display on a map. The person at home could thus track the location and progress of the vehicle, using the connectivity provided by the Internet. The same "Windows"-based software can receive and display incoming messages, and generate pre-formatted outbound messages and position queries. Similarly, pre-formatted messages can be sent from the vehicle to the Internet site, where the messages are available to friends and family.

The GPS/Internet System is in the planning stage only. There are a number of technical tasks required to make the system operational, and we have no certainty that we can accomplish these tasks. We will also require additional capital resources or partners before we can undertake this project in earnest.

### Research and Development

Ultradata performs ongoing research and development, seeking to improve existing products and to develop new products. These activities are primarily conducted at our corporate headquarters, although we periodically engage outside computer system design consultants to expedite the completion of the development and test stages.

In 2002, the Company incurred \$251,609 in research and development costs compared to \$360,686 in 2001. Research activities for 2002 were primarily focused on continued development of Travel\*Star 24(tm) and the Talking Road Whiz(tm) products.

### Employees

The Company currently has 8 full-time employees, including four officers, all of whom are located at the Company's headquarters in St. Louis, Missouri. The Company employs three people in sales, customer service and shipping, three people in executive management and administration, one person in product development, and one person in inventory management. None of the Company's employees belong to a collective bargaining union. In addition, a number of part-time consultants are retained for database research, website development and maintenance, and software development. The Company has not experienced a work stoppage and believes that its employee relations are good.

## Item 2. PROPERTIES

Our headquarters, principal administrative offices, and research and development facilities are located in approximately 5,000 square feet of leased office space in an industrial building located at 1240 Dielman Industrial Court, St. Louis, Missouri. The Company reduced the space occupied when its previous lease expired October 31, 2001 from 12,500 square feet to the 5,000 square feet identified above. The Company pays a monthly rent plus 31% of all building expenses under a new lease that expires October 31, 2003.



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The Company maintains no manufacturing operations on site and employs outside contractors to perform all of its manufacturing requirements.

Aggregate rental expense totaled \$58,829 for 2002, compared to \$107,502 in 2001. The Company believes that its facilities are adequate for the Company's present and foreseeable requirements.

### Item 3. LEGAL PROCEEDINGS

During the 4th Quarter of 2002 the Company's action against SmartTime (now known as E-tegral) resulted in a judgment awarding \$861,000 to the Company. Efforts to collect the judgment are underway, but it is unknown to what extent, if any, we will be successful in collecting the judgment.

During the 4th Quarter of 2002 the Company sold its claim in the Kmart bankruptcy. The claim of \$246,623 was sold at a 74% discount.

The Company is party to a fee arbitration with BDO Seidman LLP, in which the Company alleges that several hundred thousand dollars in fees the Company paid for accounting services performed by BDO Seidman were excessive.

### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### (a) Market Information

The following table sets forth the prices for the Company's Common Stock (OTC Bulletin Board: ULTR) for the eight quarters starting January 1, 2001 and ending December 31, 2002. Until June 27, 2001, the Company's stock was listed on the NASDAQ SmallCap Market. From that date until August 28, 2001, the stock was quoted on the Pink Sheets. Since August 29, 2001 the Common Stock has been quoted on the OTC Bulletin Board.

Quarter Ending	Bid	
	High	Low
March 31, 2001	1.687	0.75
June 30, 2001	1.25	0.50
September 30, 2001	0.51	0.19
December 31, 2001	0.46	0.13
March 31, 2002	0.24	0.20
June 30, 2002	0.20	0.11
September 30, 2002	0.15	0.08
December 31, 2002	0.27	0.20

#### (b) Shareholders

At March 11, 2003, there were 123 registered stockholders of record of the Company's Common Stock. Based upon information from nominee holders, the Company believes the number of owners of its Common Stock exceeds 3,000.

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### (c) Dividends

The Company has never paid or declared any cash dividends on its Common Stock and does not foresee doing so in the foreseeable future. The Company intends to retain any future earnings for the operation and expansion of the business. Any decision as to future payment of dividends will depend on the available earnings, the capital requirements of the Company, its general financial condition, and other factors deemed pertinent by the Board of Directors.

### Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

#### Overview

One factor has been dominant in causing our poor financial results over the past two years: our inability to sustain the high level of sales of the hand-held products at upscale retail prices that we realized in 1996 and 1997. Beginning in 1998, we have been transforming our marketing efforts away from a primary focus on the "upscale" market. Initially we devoted a large portion of our effort to direct marketing through magazines, mailers and bill inserts, as well as by televised appearances on the QVC Shopping Network. This strategy generally proved to be a mistake, as the cost of the marketing effort often exceeded the revenue we obtained from it.

In 1999, therefore, we again shifted our focus, this time to mass market retailing, of the sort you associate with Kmart, Wal-Mart, and Target Stores, to name three mass market customers. The reduction of our prices to mass market levels required major adjustments to our cost structure. So during the second half of 1999 and into 2000 we made the cuts and performed the streamlining. That effort, however, was frustrated, in part, by the worldwide shortage in read-only memory (ROM) chips during 2000, the result of which was a \$767,400 increase in our payments for chips. Nevertheless, our overall results for 2000 indicated that we were heading in the right direction, as we significantly reduced operating loss despite the increased chip expense. Our plan, therefore, was to continue to pursue mass market outlets for our handheld travel computers, with the expectation the reorientation of our marketing focus and the ancillary restructuring of our cost structure will eventually stabilize our handheld travel computers as a profitable line of business. Once we have re-established the handheld units as a stable foundation for our business, we can then devote our financial resources to our development projects without fear of being left without adequate resources to sustain operations.

In 2001 and 2002, however, sales in the poor economy became difficult. Our major customer in 2000 had excess inventory that was not eliminated until the end of 2001. Other customers were nervous about the holiday seasons and acquired less product inventory than they would have otherwise. The failure to achieve another successful product line besides the Road Whiz line also constrained sales. Specifically, the delay of Travel\*Star 24(tm) has been a serious issue for the Company, as the development effort places demands on our financial and managerial resources while not producing revenues. Completion of Travel\*Star 24(tm) and resultant sales along with Talking Road Whiz(tm) product sales should elevate sales in 2003 over 2002 levels. We believe the Talking Road Whiz(tm) will rejuvenate the niche market we are in of handheld travel computers and lead the Company back to positive operating earnings, given our reduction in overhead and other costs.

#### Results of Operations

Sales. Sales for 2002 increased slightly (2.2%) to \$1,741,557 from

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\$1,704,013 in 2001. The lack of sales from any new product line, due to the delay in Travel\*Star 24(tm) development, led to flat sales volume for the two-year period. Our plan is to continue to pursue mass-market outlets for both our traditional products as well as new products just reaching market in 2003, and so grow sales in this fashion. In addition, we have engaged the services of new representative organizations in an effort to reach new sales channels with which they have significant contact.

**Gross Profit.** Because of the delays in bringing Travel\*Star 24 for market, we determined at year-end that our inventory of Travel\*Star 24 items should be written-off, as our ability to use them productively remains in doubt. That decision was the primary reason for a year-end inventory write-down totaling \$813,094. But for the December inventory write-downs, our gross margin would have been \$466,242, or 26.8%. As a result of the write-downs, however, our gross margin was negative on the year. Our gross margin in 2002 fell to (\$146,212), or (8.4%) of sales, compared to \$113,833, or 6.7% of sales in 2001.

**Selling Expenses.** During 2002, we incurred \$219,259, or 12.6% of sales, in advertising, promotion, and marketing program expenses, as compared to \$534,593, or 31.4% of sales, in 2001. The result was an overall reduction of over \$300,000 in selling expense and 18.8% as a percentage of sales. Our 2003 plan is geared to achieve similar selling costs of 10%-13% through cost control and increased base.

**Research and Development Expenses.** Our research and development expenses in 2002 were \$251,609, reduced from \$360,686 in 2001, a decrease of 30.2%. The primary reason for the reduction was our lack of capital resources. We will continue to perform research & development on a bare-bones basis until we improve our financial condition.

**General and Administrative Expenses.** Our G&A expenses in 2002 were \$1,159,158 in 2002 as compared to \$2,346,428 in 2001, representing a reduction of 50.6%. The full measure of cost cutting in late 2001 resulting from personnel layoffs and smaller premises for operations is reflected in this decrease for 2002. We do not believe that an increase in sales, should it occur in 2003, will require a significant increase in G&A expense.

**Other Expense.** During 2002, other expense was (\$261,495) compared to (\$184,138), an increase of \$77,357, or 42.0%. The primary difference between the two periods was the fact that 2001 figures had a significant gain of the Talon sale offset by additional impairments over and above those in 2002. In 2002, the only impairment taken was the remaining unamortized capitalization of the expense for the software tools for Travel\*Star 24(tm), which we wrote off completely due to the failure to get the product to market in 2002.

**Net Loss.** Our net loss available to common stockholders for 2002 was (\$2,041,333), or (\$0.59) per basic and diluted share when \$3,600 of preferred stock imputed dividends are taken into account, compared with (\$3,573,337), or (1.10) per basic and diluted share in 2001, including \$261,325 of imputed dividends.

### Liquidity and Capital Resources

Our operating losses over the past four years have eliminated our working capital. In January and February we completed a private offering of debt and equity, and obtained \$165,000 in proceeds. These funds are held in escrow pending receipt of purchase orders from certain of the Company's customers. Up to 70% of the value of these purchase orders is available for use by the Company, and funds must be placed back in escrow upon receipt by the Company in payment for the orders. Management expects these funds to be sufficient to support operations until sales of the Talking Road Whiz begin producing

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significant cash flow in the latter half of the year. Notes are due and payable July 31, 2003.

Because the Company has reduced its costs of doing business and has excellent prospects for increased sales in 2003, Management expects the financial picture to improve greatly over the course of 2003. However, if the anticipated sales fail to materialize, we will not have sufficient financial resources to carry the Company into 2004.

### Impact of Accounting Pronouncements

There were no recent accounting pronouncements that have had or are likely to have a material effect on the Company's financial position or results of operations.

### Item 7. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

### Item 8. FINANCIAL STATEMENTS

The financial statements of Ultradata Systems, Incorporated, together with notes and the Report of Independent Certified Public Accountants, are set forth immediately following Item 14 of this Form 10-KSB.

## PART III

### Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The following table lists certain information regarding the officers and directors of the Company as of March 28, 2002:

NAME	AGE	POSITION
Monte Ross	70	Chief Executive Officer, Director
Ernest Clarke	63	President & Chief Financial Officer, Director
Mark L. Peterson	46	Vice President-Engineering, Secretary, Director
Duane Crofts	65	Vice President-Sales & Advanced Products
Donald Rattner	69	Director
H. Krollfeifer, Jr.	62	Director
Matthew Klapman	33	Director

Directors hold office until the annual meeting of the Company's stockholders and the election and qualification of their successors. Officers hold office, subject to removal at any time by the Board, until the meeting of directors immediately following the annual meeting of stockholders and until their successors are appointed and qualified.

### Background of Directors and Executive Officers:

Monte Ross founded the Company in 1986 and has served as its Chief Executive Officer and Chairman since inception. He also served as President until April 2001. For over 20 years prior to founding the Company, Mr. Ross was employed by McDonnell Douglas Corporation (now Boeing) in a variety of positions. When he left McDonnell Douglas, Mr. Ross was Director of Laser

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Systems, responsible for the group of approximately 400 employees, which developed the first space laser communication system and first space laser radar. Mr. Ross is a Fellow of the Institute of Electrical and Electronic Engineers and the past President of the International Laser Communication Society. Mr. Ross was awarded a Master of Science degree in Electrical Engineering by Northwestern University in 1962. He is the father-in-law of Mark L. Peterson, the Company's Vice President-Engineering.

Ernest Clarke has been a Director of the Company since it was founded in 1986. From August 1990 to June 1999 he served as Vice President - Government Programs. He then served as Company's Vice President - Controller from June of 1999 until April 2001. He was elevated to President in April 2001. For over 20 years prior to joining Ultradata, Mr. Clarke was employed by McDonnell Douglas Corporation (now Boeing) in a variety of positions. When he left McDonnell Douglas, Mr. Clarke was its Laser Product Development Manager with responsibility to supervise over 40 engineers. Mr. Clarke was awarded a Master of Science degree in Electrical Engineering by Stanford University in 1966.

Mark L. Peterson has been a Director of the Company since it was founded in 1986. He has served as the Company's Vice President of Engineering since 1988. He is responsible for the design of the Company's hand-held products. During the four years prior to joining the Company, Mr. Peterson was employed by McDonnell Douglas Corporation as an electronics engineer for fiber optic products and satellite laser cross-link programs. Mr. Peterson was awarded a Master of Science degree in Electrical Engineering by Washington University in 1980. He is the son-in-law of Monte Ross.

Duane Crofts joined the Company as Vice President - Advanced Products in 1994. Prior to joining the Company, Mr. Crofts served for over five years as a Program Director with McDonnell Douglas Corporation. In that role he was responsible for engineering management, production management, subcontract management, and program management. Mr. Crofts most recently was manager of a multi-million dollar electro-optic development program. Mr. Crofts was awarded a Bachelor of Science degree in Mechanical Engineering by the University of Missouri at Rolla.

Donald Rattner joined the Company in 1999 to serve as a member of the Board of Directors. Mr. Rattner is a member/partner in BrookWeiner, LLC, a Chicago-based accounting firm, and a member of the American Institute of Certified Public Accountants and the Illinois CPA Society. He has served on the boards of several corporations.

H. Kröllfeifer, Jr. joined the Company in 2000 to serve as a member of the Board of Directors. Mr. Kröllfeifer is retired after 35 years in the equipment leasing and financing industry. He has worked closely with The American Association of Equipment Lessors (AAEL), an industry trade group for which he served as a speaker, lecturer, and teacher for various educational programs starting in 1986. That organization evolved into The Equipment Leasing Association of America (ELA), and Mr. Kröllfeifer was added to their training faculty in January 2000 where he continues to serve on a part-time basis.

Matthew Klapman joined the Company in 2002 to serve as a member of the Board of Directors. Mr. Klapman is the CEO of Future Vision Technologies, Inc., which he co-founded 1990. He has maintained a strong career in technological innovation, business strategy, negotiation, and team management. He has invented and developed a myriad of products in the video, 3-D graphics, and communication fields. As a Director at Motorola, he developed the computer graphics and marketing strategy for its corporate strategy office and broadband wireless communications sector. In addition, as Director of Research and Development for Motorola's Personal Communications Sector, he

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spearheaded the creation of the new user interface platform that is the basis for all of Motorola's cellular phones. He has developed products and designs that have earned several industry awards. He received a B.S. in Computer Engineering and a J.D. from the University of Illinois at Urbana. He holds 4 issued and 7 pending patents.

### COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

None of the directors, officers, or beneficial owners of more than 10% of Ultradata's common stock failed to file on a timely basis reports required during 2002 by Section 16(a) of the Exchange Act.

### Item 10. EXECUTIVE COMPENSATION

The following table sets forth all compensation awarded to, earned by, or paid by Ultradata to executives for services rendered in all capacities to Ultradata during each of the last three fiscal years. There was no other executive officer whose total salary and bonus for the fiscal year ended December 31, 2002 exceeded \$100,000.

Name & Position	Year	Annual Compensation		Long-term Compensation	
		Salary	Bonus	Other (1)	Options
Monte Ross, Chief Executive Officer	2002	\$ 152,938	\$ -	\$ -	(2)
	2001	\$ 156,278	\$ -	\$ -	
	2000	\$ 156,578	\$ -	\$ 6,000	(3)
Ernest Clarke President	2002	\$ 103,783	\$ -	\$ -	(4)
	2001	\$ 107,691			
	2000	\$ 102,275			

- (1) Included premium payments for a life insurance policy on Mr. Ross, with his estate as beneficiary, discontinued in 2001.
- (2) During 2002 the Board's Stock Option Committee awarded Mr. Ross options to purchase 80,500 shares of Common Stock at an exercise price of \$.07.
- (3) During 2000 the Board's Stock Option Committee awarded Mr. Ross options to purchase an additional 7,000 shares of Common Stock at an exercise price of \$1.50.
- (4) During 2002 the Board's Stock Option Committee awarded Mr. Clarke options to purchase 38,500 shares of Common Stock at an exercise price of \$.07.

### Employment Agreements

Messrs. Ross, Peterson, and Clarke have individual employment agreements with Ultradata beginning September 1, 1994. Except as noted herein, the terms of the employment agreements are substantially identical. The agreements were extended in 1997 by action of the Board of Directors to October 31, 2000, and again in 2000 to October 31, 2003. The agreements provide for base salaries, which are adjusted annually by the Board of Directors. If the majority of the Board cannot agree as to a level of salary adjustment, the salary will increase by 10% for Mr. Clarke and Mr. Peterson and 5% for Mr. Ross. The employment agreements restrict each officer from competing with Ultradata for one year after the termination of his employment unless that employee establishes that his employment by a competitor will not involve the use of any information considered confidential by Ultradata.

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### Stock Option Awards

The following table sets forth information regarding the stock options granted to the Company's two highest paid executives during 2002 and the stock options held by them on December 31, 2002. No executive officer exercised an option during 2002.

#### OPTION GRANTS IN FISCAL YEAR 2002

Name	Number of Securities Underlying Option Granted	Percent of total options Granted to Employees in fiscal Year	Exercise Price (\$/share)	Expiration Date
Monte Ross	80,500	19.9%	\$.07	11/18/07
Ernest Clarke	38,500	9.5%	\$.07	11/18/07

#### AGGREGATED FISCAL YEAR OPTION VALUES

Name	Number of securities underlying Unexercised options at fiscal Year-end (#) (All exercisable>	Value of unexercised in-the-money options at fiscal year end (all exercisable)
Monte Ross	80,500	\$10,465
Ernest Clarke	38,500	\$ 5,005

### Remuneration of Directors

Outside Directors receive \$500 per meeting and are reimbursed for out-of-pocket expenses incurred on the Company's behalf. During the November meeting of the Board of Directors, the Board voted to grant 1,000 shares of common stock and 1,000 options at market price to each outside director for each meeting attended in 2002.

#### Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information known to us with respect to the beneficial ownership of our common stock by the following:

- \* each shareholder known by us to own beneficially more than 5% of our common stock;
- \* Monte Ross and Ernest Clarke;
- \* each of our other directors; and
- \* all directors and executive officers as a group.

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There are 4,617,693 shares of our common stock outstanding. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below have sole voting power and investment power with respect to their shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percent ownership of that person, we include:

- \* shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days, and
- \* shares of common stock that would be issued today if the Senior Subordinated Convertible Notes were converted today.

We do not, however, include these "issuable" shares in the outstanding shares when we compute the percent ownership of any other person.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percentage of Outstanding Shares (12)
Monte Ross	434,500 (2)	9.2%
Ernest Clarke	189,352 (3)	4.1%
Mark Peterson	173,964 (4)	3.7%
Donald Rattner	52,186 (5)	1.1%
H. Krollfeifer, Jr.	32,000 (6)	0.7%
Matthew Klapman	16,000 (7)	0.3%
All officers and directors as a group (7 persons)	972,241 (8)	20.0%
Harley Brixey 3 Friendship Court Troy, MO 63379	610,000 (9)	13.2%
BH Capital Investments, L.P. 175 Bloor St. East, 7th Floor Toronto, Ontario Canada M4W3R8	251,113 (10)	5.2%
Excalibur Limited Partnership 33 Prince Arthur Avenue Toronto, Ontario Canada M5R1B2	251,113 (10)	5.2%
Influence Incubator, LLC 9666 Olive Street Road St. Louis, Missouri 63132	300,000 (11)	6.1%



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- (1) Unless otherwise indicated, the address of each of these shareholders is c/o Ultradata Systems, Incorporated, 1240 Dielman Industrial Court, St. Louis, Missouri 63132
- (2) Includes 100,000 shares owned by the Harriet Ross Revocable Trust, and 214,000 shares owned by the Monte Ross Revocable Trust. Also includes options to purchase 80,500 shares.
- (3) All shares are owned jointly with Mr. Clarke's spouse. Also includes options for 38,500 shares.
- (4) Includes options for 62,000 shares.
- (5) Includes options for 15,186 shares.
- (6) Includes 24,000 shares owned by D&H Enterprises, Inc., of which Mr. Krollfeifer is a principal. Also includes options for 4,000 shares.
- (7) Includes options for 3,000 shares.
- (8) Includes options for 233,186 shares.
- (9) As reflected on a Form 144 filed on January 29, 2003.
- (10) Represents for each shareholder: (a) 11,860 shares of Common Stock which could have been acquired on March 21, 2003 on conversion of Senior Subordinated Convertible Notes (conversion being limited to 28% of the trading volume for the 66 trading days preceding conversion, net of prior conversions), plus (b) warrants to purchase 239,253 shares.
- (11) Represents options to purchase 300,000 shares.
- (12) In determining the percentage of outstanding shares, all presently exercisable options owned by the shareholder or the group are treated as having been exercised.

### Stock Option Plans

The information set forth in the table below regarding equity compensation plans (which includes individual compensation arrangements) was determined as of December 31, 2002.

### Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	405,477	\$.18	0
Equity compensation plans not approved by security holders	22,186*	\$.07	-
Total	427,663	\$.17	0

\* Represents non-qualified stock options given to the Company's outside directors. The options expire on November 18, 2007.

We have two stock option plans: the 1994 Incentive Stock Option Plan and the 1996 Incentive Stock Option Plan, both of which were approved by our shareholders. The material terms of the Plans are identical. In aggregate, the Plan authorize the issuance of options for 500,000 shares, all of which have been issued. Of those, options have been exercised to purchase 94,523

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shares of common stock.

### Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

### Item 13. EXHIBITS, LIST, AND REPORTS

#### (a) Financial Statements

List of Financial Statements Under Item 7 of this Report:

Independent Auditors' Report

Balance Sheet as of December 31, 2002.

Statements of Operations for each year in the two-year period ended December 31, 2002.

Statements of Stockholders' Equity for each year in the two-year period ended December 31, 2002.

Statements of Cash Flows for each year in the two-year period ended December 31, 2002.

Notes to Financial Statements for each year in the two-year period ended December 31, 2002.

#### (b) Exhibits Index

Exhibit Number

3-a. Articles of Incorporation, and 1989 amendment. (1)

3-a(1) Amendment to Articles of Incorporation dated March 4, 1991, March 22, 1994, and November 18, 1994. (1)

3-a(2) Certification of Correction of Articles of Incorporation. (1)

3-a(3) Amendment to Articles of Incorporation dated July 26, 1996 (2)

3-b. By-laws. (1)

4-a. Specimen of Common Stock Certificate. (1)

10-a. Lease dated May 23, 1990, as amended on November 31, 1993, for premises at 9375 Dielman Industrial Drive, St. Louis, Missouri. (1)

10-a(1) Lease Addendum dated October 17, 1995, for premises at 9375 Dielman Industrial Drive, St. Louis, Missouri.(1)

10-a(2) Lease Addendum dated October 5, 2001, for premises at 1240-1244 Dielman Industrial Court, St. Louis, Missouri - filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2002 and incorporated herein by reference.

10-b. 1994 Stock Option Plan.(1)

10-c Amended and Restated 1996 Stock Option Plan - filed as an Exhibit to the Company's Registration Statement on Form S-8 (333-32098) and incorporated herein by reference.

10-d. Employment Agreement with Monte Ross.(1)

10-d(1) Extended Employment Agreement between the Company and Monte Ross (2)

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- 10-e. Employment Agreement with Mark L. Peterson.(1)
- 10-e(1) Extended Employment Agreement between the Company and Mark L. Peterson (2)
- 10-f. Employment Agreement with Ernest Clarke.(1)
- 10-f(1) Extended Employment Agreement between the Company and Ernest Clarke (2)
- 10-g. Royalty Agreement dated September 14, 1989, between the Company and Leonard Missler.(1)
  - 10-g(1) Modification Agreement dated November 4, 1995, to Royalty Agreement dated September 14, 1989, between the Company and Leonard Missler. (1)
- 10-h Option Agreement between the Company and Influence Incubator, L.L.C. dated May 30, 2000 - filed as an exhibit to the Company's Current Report on Form 8-K dated May 30, 2000 and incorporated herein by reference.
- 10-i Exchange Agreement dated August 6, 2001 relating to the exchange of Preferred Stock for Convertible Notes - filed as an exhibit to the Company's Current Report on Form 8-K dated August 13, 2001 and incorporated herein by reference.
- 21. Subsidiaries - None.
  - (1) Previously filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.
  - (2) Previously filed as an Exhibit to Form 10-KSB for the year ended December 31, 1997, and incorporated herein by reference.
- 99. Section 906 Certification
  - (1) Previously filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.
  - (2) Previously filed as an Exhibit to Form 10-KSB for the year ended December 31, 1997, and incorporated herein by reference.

Reports on Form 8-K: None

### Item 14. Controls and Procedures

Monte Ross, our Chief Executive Officer, and Ernest Clarke, our Chief Financial Officer, performed an evaluation of the Company's disclosure controls and procedures within 90 days prior to the filing date of this report. Based on their evaluation, they concluded that the controls and procedures in place are sufficient to assure that material information concerning the Company which could affect the disclosures in the Company's quarterly and annual reports is made known to them by the other officers and employees of the Company, and that the communications occur with promptness sufficient to assure the inclusion of the information in the then-current report.

There have been no significant changes in the Company's internal controls

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or in other factors that could significantly affect those controls subsequent to the date on which Messrs. Ross and Clarke performed their evaluation.

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of:  
Ultradata Systems, Incorporated

We have audited the accompanying balance sheet of Ultradata Systems, Incorporated as of December 31, 2002 and the related statements of operations and comprehensive loss, stockholders' equity (deficiency) and cash flows for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ultradata Systems, Incorporated as of December 31, 2002 and the results of its operations and its cash flows for the years ended December 31, 2002 and 2001 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 19 to the financial statements, the Company has a net loss of \$2,037,733, a negative cash flow from operations of \$101,745, a working capital deficiency of \$306,228 and a stockholders' deficiency of \$441,621. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WEINBERG & COMPANY, P.A.

Boca Raton, Florida  
February 7, 2003 (Except for Note 20, as to which the date is March 5, 2003)

Ultradata Systems, Incorporated  
Balance Sheet  
December 31, 2002

ASSETS  
-----

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CURRENT ASSETS	
Cash	\$ 37,842
Trade accounts receivable, net of allowance for doubtful accounts of \$16,103	141,599
Inventories, net	102,486
Prepaid expenses	4,562
	-----
Total Current Assets	286,489
	-----
PROPERTY AND EQUIPMENT - NET	45,432
	-----
OTHER ASSETS	
Notes receivable and accrued interest-long term	247,933
Other assets	5,444
	-----
Total Other Assets	253,377
	-----
TOTAL ASSETS	\$ 585,298
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES	
Accounts payable	\$ 277,828
Accrued liabilities	188,825
Notes payable-current	126,064
	-----
Total Current Liabilities	592,717
	-----
LONG TERM LIABILITIES	
Notes payable-long term	434,202
	-----
TOTAL LIABILITIES	1,026,919
	-----
STOCKHOLDERS' DEFICIENCY	
Preferred stock, \$0.01 par value, 4,996,680 shares authorized, none issued and outstanding	-
Series A convertible preferred stock, 3,320 shares authorized, 16 shares outstanding with a stated value of \$1,000	16,000
Common stock, \$0.01 par value, 10,000,000 shares authorized, 4,224,456 issued, 3,898,285 outstanding	42,244
Additional paid-in capital	9,631,750
Accumulated deficit	(9,086,935)
Treasury stock (326,171 shares at cost)	(942,311)
Notes receivable issued for purchase of common stock	(102,369)
	-----
TOTAL STOCKHOLDERS' DEFICIENCY	(441,621)
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 585,298
	=====

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See accompanying notes to financial statements.

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Ultradata Systems, Incorporated  
Statements of Operations and Comprehensive Loss  
As of December 31, 2002 and 2001

	2002	2001
	-----	-----
NET SALES	\$ 1,741,557	\$ 1,704,013
COST OF SALES	1,887,769	1,590,180
	-----	-----
GROSS (LOSS) PROFIT	(146,212)	113,833
	-----	-----
OPERATING EXPENSES		
Selling	219,259	534,593
General and administrative	1,159,158	2,346,428
Research and development	251,609	360,686
	-----	-----
Total Operating Expenses	1,630,026	3,241,707
	-----	-----
OPERATING LOSS	(1,776,238)	(3,127,874)
	-----	-----
OTHER INCOME (EXPENSE)		
Interest and dividend income	30,698	63,928
Interest expense	(76,216)	(104,699)
Gain on sale of investment	-	281,871
Impairment of development tools	(198,764)	-
Impairment of advance to affiliate	-	(135,480)
Impairment of advertising credits	-	(249,685)
Loss on disposal of fixed assets	(17,440)	(18,754)
Realized loss on sale of securities	-	(20,668)
Other, net	227	(651)
	-----	-----
Total Other Income (Expense)	(261,495)	(184,138)
	-----	-----
LOSS BEFORE INCOME TAX EXPENSE	(2,037,733)	(3,312,012)
Income tax expense	-	-
	-----	-----
NET LOSS	(2,037,733)	(3,312,012)
	-----	-----
OTHER COMPREHENSIVE INCOME		
Foreign currency translation gain	-	48,420
Unrealized gain on deferred compensation investments	-	13,045
	-----	-----
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	-	61,465
	-----	-----
COMPREHENSIVE LOSS	\$ (2,037,733)	\$ (3,250,547)
	=====	=====
LOSS PER SHARE		

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Net loss	\$ (2,037,733)	\$ (3,312,012)
Preferred stock dividends	(3,600)	(261,325)
	-----	-----
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	\$ (2,041,333)	\$ (3,573,337)
	=====	=====
Loss per share - basic and diluted	\$ (0.59)	\$ (1.10)
	=====	=====
Weighted average shares outstanding - basic and diluted	3,444,312	3,248,125
	=====	=====

See accompanying notes to financial statements.

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Ultradata Systems, Incorporated  
Statements of Stockholders' Equity (Deficiency)  
For the years ended December 31, 2002 and 2001

	Preferred Stock		Common Stock		Additional	Notes	Treasury	Stock	
	Shares	Amount	Shares	Amount	Paid-in Capital	Receivable for Common Stock	Shares	Amount	
Balance, December 31, 2000	1,616	\$ 1,616,000	3,519,586	\$35,196	\$9,861,970	\$ (205,819)	326,171	\$ (942,311)	
Conversion of preferred stock to common stock	(28)	(28,000)	56,118	561	27,439	-	-	-	
Redemption of preferred stock	(164)	(164,000)	-	-	(30,950)	-	-	-	
Conversion of preferred stock to notes payable	(1,408)	(1,408,000)	-	-	(340,120)	-	-	-	
Conversion of notes payable to common stock	-	-	122,646	1,226	14,869	-	-	-	
Issuance of stock options to non- employee for services performed	-	-	-	-	2,544	-	-	-	
Repricing of warrants	-	-	-	-	37,529	-	-	-	
Change in notes									

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receivable issued to purchase common stock, net of (interest) and cash payments	-	-	-	-	-	19,151	-	-
Other comprehensive gain	-	-	-	-	-	-	-	-
Net loss, 2001	-	-	-	-	-	-	-	-
-----								
Balance, December 31, 2001	16	16,000	3,698,350	36,983	9,573,281	(186,668)	326,171	(942,311)
Conversion of notes payable to common stock	-	-	515,106	5,151	57,809	-	-	-
Issuance of stock to directors for services performed	-	-	11,000	110	660	-	-	-
Payments on notes receivable to purchase common stock	-	-	-	-	-	84,299	-	-
Net loss, 2002	-	-	-	-	-	-	-	-
-----								
BALANCE, DECEMBER 31, 2002	16	\$16,000	4,224,456	\$42,244	\$9,631,750	\$(102,369)	326,171	\$(942,311)
=====								

See accompanying notes to financial statements.

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Ultradata Systems, Incorporated  
 Statements of Cash Flows  
 For the years ended December 31, 2002 and 2001

	2002	2001
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(2,037,733)	\$(3,312,012)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	157,256	235,890
Write-down of inventory	813,094	734,385
Equity in losses of unconsolidated affiliates	-	651
Realized gain on investments	-	(271,547)



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Stock issued for services	770	-
Loss on impairment of advertising credits	-	249,685
Loss on impairment of loan to affiliate	-	135,480
Loss on disposal of property and equipment	17,440	18,754
Provision for doubtful accounts	(64,086)	271,500
Loss on asset impairment	198,764	-
Non-cash accrued interest receivable	(22,539)	-
Repricing of warrants	-	37,530
Changes in assets and liabilities:		
Trade accounts receivable, net	298,916	25,546
Inventories	430,912	(300,622)
Prepaid expenses and other assets	7,087	33,874
Accounts payable	181,695	(53,669)
Accrued liabilities	(83,321)	53,150
Deferred rent	-	(6,220)
	-----	-----
Net Cash Used In Operating Activities	(101,745)	(2,147,625)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in affiliated company	-	930,000
Capital expenditures	(5,622)	(47,574)
Restricted cash	-	767,724
	-----	-----
Net Cash (Used In) Provided By Investing Activities	(5,622)	1,650,150
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to preferred stockholders	-	(164,000)
Payments on notes payable	(103,772)	(1,005,027)
Dividends paid to preferred stockholders	-	(30,950)
Payments received on subscriptions, net	84,299	19,151
	-----	-----
Net Cash Used In Financing Activities	(19,473)	(1,180,826)
	-----	-----
NET DECREASE IN CASH	(126,840)	(1,678,301)
CASH - BEGINNING OF YEAR	164,682	1,842,983
	-----	-----
CASH - END OF YEAR	\$ 37,842	\$ 164,682
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION		
Interest paid during the year	\$ 74,290	\$ 65,492
	=====	=====

See accompanying notes to financial statements.

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Ultradata Systems, Incorporated  
Statements of Cash Flows  
For the years ended December 31, 2002 and 2001

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

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During 2002, a portion of the notes payable in the amount of \$62,960 was converted to 515,106 shares of common stock.

During 2001, the Company issued to a consultant options with a fair value of \$2,544 to purchase up to 2,575 shares of common stock.

During 2001, the Company received \$300,000 of long-term notes receivable, having a net present value of \$225,394, as part of the sale of the Company's investment in Talon.

During 2001, 28 shares of preferred stock, having a stated value of \$28,000, were converted to 56,118 shares of common stock.

During 2001, 1,408 shares of preferred stock, having a stated value of \$1,408,000, were converted to notes payable. Additionally, for the preferred stock converted to notes payable, an aggregate amount of \$340,120 of accrued dividends from 2001 and 2000 were converted to notes payable.

During 2001, a portion of the notes payable in the amount of \$16,095 was converted to 122,646 shares of common stock.

During 2001, the Rabbi trust that maintained deferred compensation investment funds was liquidated and the proceeds of \$76,982 were distributed directly to the beneficiary.

During 2001, accounts payable was reduced by \$14,520 with a corresponding reduction in advances to affiliates.

See accompanying notes to financial statements.

FS-6

Ultradata Systems, Incorporated  
Notes to Financial Statements  
As of December 31, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Nature of Operations

Ultradata Systems, Incorporated (the "Company") was incorporated in the State of Missouri in March 1986 under the name of Laser Data Technology, Inc. The Company subsequently merged into its wholly owned subsidiary, Ultradata Systems, Incorporated, incorporated in the State of Delaware, and Laser Data was dissolved. The principal business activity of the Company, located in St. Louis, is the design, manufacture, and sale of hand-held electronic information products. The Company sells the products in the United States through direct marketing, independent sales representatives, mail order catalogs, and mass market retailers.

(B) Basis of Presentation

The financial statements for 2002 include Ultradata Systems, Incorporated only. The financial statements for 2001 include Ultradata Systems Incorporated and the equity in earnings of unconsolidated affiliate Talon Research & Development Co., Ltd. (Talon) of Auckland, New Zealand. The investment in

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Talon was accounted for using the equity method. The Company had a 22.6% interest in Talon (See Note 6).

### (C) Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and assumptions by management, with consideration given to materiality. Actual results could vary from those estimates.

### (D) Cash

Cash includes deposits at financial institutions.

### (E) Revenue Recognition

Net sales are recognized when products are shipped. The Company has established programs, which, under specified conditions, enable customers to return product. The Company establishes liabilities for estimated returns at time of shipment. In addition, accruals for customer discounts and rebates are recorded when revenues are recognized.

### (F) Inventories

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Provision for potentially obsolete or slow moving inventory is made based on management's analysis of inventory levels and future sales forecasts.

### (G) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Company capitalizes certain software development costs in accordance with the American Institute of Certified Public Accountants Statement of Position No. 98-1, "Accounting for the Costs of Software Developed or Obtained for Internal Use." Costs incurred for the Company's own personnel who are directly associated with software development are capitalized. Capitalized software costs will be amortized over an estimated useful life of five years. Depreciation is provided using the straight-line basis over the estimated useful lives of the assets, generally five years. Leasehold improvements are amortized over the shorter of the term of the related lease or their useful life. Expenditures for maintenance and repairs are charged to expense as incurred. The Company continually reviews property and equipment to determine that the carrying values are not impaired.

### (H) Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. The Company reviews long-lived assets to determine that carrying values are not impaired. During 2002, the Company recognized an impairment on capitalized software costs (See Notes 3 and 18). During 2001, the Company recognized an impairment on advertising credits (See (J) below).

### (I) Operating Lease

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Lease expense on the corporate facilities is recognized on a straight-line basis over the primary term of the lease. The current lease does not provide for accelerating rent over the lease term. Accordingly, no deferred rent has been recorded in the Company's balance sheet.

### (J) Advertising

The Company expenses the production costs of advertising the first time advertising takes place, except for direct response advertising, which is capitalized and amortized over its expected period of future benefits. The Company accounts for barter transactions under Accounting Principles Board No. 29, "Accounting for Nonmonetary Transactions." During 1999, the Company exchanged slow moving inventory, having a fair value of \$249,685 after a write-down for obsolescence, for advertising credits. The Company did not use any of these advertising credits and as such has not recorded any advertising expenses related to these credits during the year ended December 31, 2001. During 2001, the entity that offered the advertising credits filed for bankruptcy. Thus, the Company recognized an impairment loss on the unused advertising credits which had been included in prepaid expenses (\$187,264) and other non-current assets (\$62,421) for an aggregate loss of \$249,685.

Advertising expense totaled \$109,189 and \$173,383 for the year ended December 31, 2002 and 2001, respectively.

### (K) Reclassification

Certain amounts from prior periods have been reclassified to conform to the current year presentation.

### (L) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. Trade accounts receivable, accounts payable, and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of the instruments. Long-term notes receivable that do not bear interest are discounted by an interest rate commensurate to the Company's estimated incremental borrowing rate.

The long-term notes payable are valued by discounting the future stream of payments using the incremental borrowing rate of the Company. The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2002. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The estimated fair value of long-term notes payable at December 31, 2002 is \$553,146 and the carrying amount is \$560,266 (See Note 8).

### (M) Research and Development Costs

Research and development costs consist primarily of expenditures incurred bringing a new product to market or significantly enhancing existing products. The Company expenses all research and development costs as they are incurred unless they are associated with the development of tools or processes for production used in-house rather than for product delivered to a customer.

### (N) Royalty Expense

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Royalty expense is recognized on a pro rata basis as units are sold during the same period in which the related unit sales were recognized.

### (O) Income Taxes

The Company accounts for income taxes under the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", ("SFAS 109"). Under SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### (P) Loss Per Share

Basic and diluted loss per share is calculated by dividing net loss for the period ( plus preferred stock dividends) by the weighted average number of shares of common stock outstanding during the period. The assumed exercise of stock options and warrants is only included in the calculation of diluted earnings per share, if dilutive.

### (Q) Stock-Based Compensation

In accordance with Statement of Financial Accounting Standards No. 123 (SFAS No. 123), the Company has elected to account for stock options issued to employees under Accounting Principles Board Opinion No. 25 ("APB Opinion No. 25") and related interpretations. The Company accounts for stock options issued to consultants and for other services in accordance with SFAS No. 123.

### (R) New Accounting Pronouncements

SFAS No. 143 "Accounting for Asset Retirement Obligations" establishes standards for the initial measurement and subsequent accounting for obligations associated with the sale, abandonment, or other type of disposal of long-lived tangible assets arising from the acquisition, construction, or development and/or normal operation of such assets. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The provisions of the statement are effective for financial statements issued for the fiscal years beginning after December 15, 2001.

In April 2002, the FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS 145 rescinds the provisions of SFAS No. 4 that requires companies to classify certain gains and losses from debt extinguishments as extraordinary items, eliminates the provisions of SFAS No. 44 regarding transition to the Motor Carrier Act of 1980 and amends the provisions of SFAS No. 13 to require that certain lease modifications be treated as sale leaseback transactions. The provisions of SFAS 145 related to classification of debt extinguishments are effective for fiscal years beginning after May 15, 2002. Earlier application is encouraged. The Company does not believe

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the adoption of this standard will have a material impact the financial statements.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Restructuring Costs." SFAS 146 applies to costs associated with an exit activity (including restructuring) or with a disposal of long-lived assets. Those activities can include eliminating or reducing product lines, terminating employees and contracts and relocating plant facilities or personnel. Under SFAS 146, the Company will record a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. SFAS 146 will require the Company to disclose information about its exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. Under SFAS 146, a company cannot restate its previously issued financial statements and the new statement grandfathers the accounting for liabilities that a company had previously recorded under Emerging Issues Task Force Issue 94-3.

In December 2002, the Financial Accounting Standards Board issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure - an amendment of FASB Statement No. 123," ("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "Accounting for Stock Based Compensation" ("SFAS 123") and provides alternative methods for accounting for a change by registrants to the fair value method of accounting for stock-based compensation. Additionally, SFAS 148 amends the disclosure requirements of SFAS 123 to require disclosure in the significant accounting policy footnote of both annual and interim financial statements of the method of accounting for stock based-compensation and the related pro forma disclosures when the intrinsic value method continues to be used. The statement is effective for fiscal years beginning after December 15, 2002, and disclosures are effective for the first fiscal quarter beginning after December 15, 2002.

The adoption of these pronouncements will not have a material effect on the Company's financial position or results of operations.

### (S) Business Segments

The Company applies Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information." The Company operates in one segment and therefore segment information is not presented.

### (T) Interest On Impaired Loans

The Company does not accrue additional interest on loans once the loans have been deemed impaired.

## NOTE 2 INVENTORIES

Inventories (net) at December 31, 2002 consist of the following:

Raw materials	\$ 46,015
Work in process	-
Finished goods	56,471
	-----
	\$ 102,486
	=====

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At December 31, 2002, the Company has reserved \$1,110,684 for obsolete inventory.

### NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2002 consist of the following:

Research and development equipment	\$ 39,997
Tooling and test equipment	458,027
Office furniture and equipment	234,119
Sales displays	52,101
Leasehold improvements	29,989
	-----
	814,233
Less accumulated depreciation and amortization	(768,801)
	-----
	\$ 45,432
	=====

Depreciation and amortization expense for the years ended December 31, 2002 and 2001 totaled \$157,256 and \$235,890, respectively.

During 2001, the Company began amortizing the capitalized costs of the TRAVEL\*STAR 24(tm) when shipments to customers commenced. Sales of the TRAVEL\*STAR 24(tm) were suspended later in the year when it was discovered that the units contained errors that required additional work to correct. The costs incurred to correct the errors are being expensed as incurred. The Company cannot thus far be certain all of these errors have been discovered and corrected without further testing, which is ongoing. Accordingly, the entire TRAVEL\*STAR 24(tm) inventory and related capitalized software costs were written off in 2002 (See Note 18). The Company is planning to continue the development of the software and introduce the TRAVEL\*STAR 24(tm) when testing indicates the product is ready for market introduction, whenever that occurs.

### NOTE 4 ADVANCES TO AFFILIATES

On July 1, 1998, the Company entered into a joint development and marketing agreement with Sci-Com (formerly SmartTime Networks) a privately held company based in McLean, Virginia. The Company transferred certain software and documentation of its service software in exchange for a \$400,000 promissory note bearing interest at the Federal prime rate. In addition, the Company leased computer equipment to the affiliate at favorable rates. The Company advanced \$50,000 in a promissory note, due June 30, 2000, with interest at 6.36% to expand equipment capabilities to support the proposed network. The agreement also included a provision for the Company to advance to the affiliate up to \$400,000 in additional funds to complete network development, of which \$200,000 was advanced as of December 31, 2000. These advances were incorporated in a promissory note due January 1, 2002, which provided for the Company to be entitled to 50% of the operating revenue of Sci-Com (excluding only non-reoccurring engineering services provided by the affiliate). The agreement also provided for the optional conversion of the loan into a 10% equity interest in the privately held company, at the Company's sole discretion. The entire amount due from Sci-Com (\$650,000 plus accrued interest) was fully reserved as of December 31, 2001 and no additional interest has been accrued as of December 31, 2002. In 2001, the reserve account was increased by \$150,000, an impairment loss of \$135,480 was recognized, and a reduction in the account payable due Sci-Com of \$14,500 was recorded. The Company has been awarded a judgement of \$861,000

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against the successor company to Sci-Com, known as E-tegral, Inc., but it is not clear at this time what, if any, funds will be collectible from E-tegral in its present financial condition.

### NOTE 5 NOTES RECEIVABLE

As part of the sale of the investment in Talon, a \$150,000 face value unsecured promissory note was received from each of two principals of Talon for aggregate notes receivable of \$300,000. Since the notes do not bear interest for the first three years, the notes were discounted by 10% per year for three years to an aggregate net present value of \$225,394. An aggregate of \$22,539 of interest income was accrued on the notes during 2002. During years four and five, the notes bear 5% simple interest per year. The notes are payable on the earlier of (1) December 11, 2006, at which date \$330,000 would be payable or (2) the date on which a signer sells 20% of his Talon interest or (3) the date on which Talon is acquired by or merged into another entity or (4) the date on which Talon sells equity to the public (See Note 6(B)).

### NOTE 6 INVESTMENT IN AFFILIATE

(A) Investment in Talon Research & Development Co., Ltd.

On March 23, 1998, the Company acquired an 18.9% interest in Talon for \$282,500. In August 1998, the Company acquired an option to purchase additional shares in Talon for \$312,147. During 1999, the option to purchase additional shares was amended, and the above amount was utilized to purchase an additional 6% interest in Talon. Legal and consulting costs associated with the acquisition and option to purchase additional shares are capitalized as part of the cost of the investment, and totaled \$124,108 for the year ended December 31, 1999. During 2000, the Company's interest decreased from 24.9% to 22.6% based on a 10% increase in Talon's outstanding shares due to incorporation of an employee stock option plan for Talon employees.

The Company's interest in Talon was accounted for using the equity method of accounting and was stated at amortized cost plus equity in undistributed earnings since acquisition. The equity in earnings of Talon was adjusted for the annual amortization of the difference between acquisition cost and the Company's proportionate share of Talon's net assets. Amortization was computed on a straight-line basis over nine years. The unamortized difference between the investment cost and the Company's proportionate share of Talon was \$428,592 at November 30, 2001 (prior to the Company's sale of its interest). The Company's share of the earnings for 2001 prior to the sale were \$58,212 after accounting for the differences between New Zealand GAAP and US GAAP. As discussed above, the earnings were further reduced by amortization of \$58,865 (through November 30, 2001).

(B) Gain on Sale of Investment in Talon

In December 2001, the Company sold its 22.6% interest in Talon. As of November 30, 2001, the investment in Talon had a balance of \$873,523, which was comprised of the amortized cost plus equity in undistributed earnings since acquisition. The proceeds received consisted of \$930,000, which was paid directly to the convertible promissory note holders (See Note 8), \$300,000 of notes receivable (having a net present value of \$225,394) from two of Talon's stockholders (See Note 5), for an aggregate amount of \$1,155,394. The resulting gain of \$281,871 was recognized as other income in the financial statements in 2001.

### NOTE 7 ACCRUED LIABILITIES

Accrued liabilities at December 31, 2002 consist of the following:



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Accrued sales commissions and royalties	\$ 50,494
Accrued payroll and related expenses	22,003
Accrued vacation	28,248
Other accrued liabilities	88,080
	-----
	\$ 188,825
	=====

NOTE 8 NOTES PAYABLE

On August 13, 2001, the Company entered into an exchange agreement whereby 1,408 of the remaining Preferred Shares (all but 16 of the Preferred Shares) were exchanged for two identical (except for the holder) 11.25% senior secured convertible promissory notes (See Note 11(B)(iii)) whose principal amount equals the sum of (1) the stated value of the Preferred Shares (\$1,408,000), (2) cumulative dividends since issuance (\$199,320), and (3) a premium (deemed an additional dividend) equal to 10% of the stated value of the Preferred Shares (\$140,800) for an aggregate amount of \$1,748,120. Each of the two notes called for three monthly payments of \$35,000 followed by monthly payments of \$45,000 thereafter until the notes were satisfied. Under the payment terms, the Company made payments totaling \$140,000 in September, but suspended payments due to limited cash flow pending a resolution of the negotiations regarding the sale of its investment in Talon. The agreement also provided for a 10% interest accrual on any principal outstanding on June 1, 2002. The conversion cap of the Preferred Shares was also amended to limit the number of common shares into which the Preferred Shares could be converted during 2001 to 20% of the cumulative trading volume for the 66 trading days preceding conversion. In the same transaction, the exercise price of the warrants was reduced from \$5.00 to \$1.50 per share (See Note 12(C)).

On December 11, 2001, the Company amended its agreement with the note holders. The amendment provided that the Company would instruct the buyer of its investment in Talon (See Note 6(B)) to transfer the \$930,000 proceeds directly to the note holders in order to reduce the Company's liability under the notes. The amendment also (1) reduced the aggregate monthly obligation under the notes from \$90,000 to \$15,000 per month, (2) eliminated the 10% interest accrual that had been scheduled for June 1, 2002, (3) eliminated the Company's obligation to register with the SEC the shares underlying the notes, and (4) raised the conversion cap of the notes to 28% of the cumulative trading volume for the 66 trading days preceding conversion. Finally, the exercise price of the warrants held by the note holders was reduced from \$1.50 to \$.50 (See Note 12(C)).

Notes payable at December 31, 2002 consist of the following:

Notes payable in monthly installments of \$15,000, including interest at 11.25%, secured by substantially all of the Company's assets	\$ 560,266
Less: current portion	(126,064)
	-----
	\$ 434,202
	=====

Required principal payments (including current maturities) on notes payable at December 31, 2002 are as follows:

Year	Amount
------	--------

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2003	\$ 126,064
2004	137,388
2005	154,044
2006	142,770
	-----
	\$ 560,266
	=====

Interest expense for the years ended December 31, 2002 and 2001 was \$76,216 and \$104,699, respectively. Of the interest recognized in 2001, \$37,529 relates to the repricing of warrants (See Note 12(C)).

### NOTE 9 DEFERRED COMPENSATION

Deferred compensation represents the market value of investments made by the Company in conjunction with a deferred compensation arrangement with the Company's former President for services provided prior to 1991. Five annual payments of \$12,800 were paid through December 31, 1995 to a Rabbi trust for the benefit of the Company's CEO. A distribution to the beneficiary of \$36,850 was made during 1999. During 2001, the trust account was closed after the investments were sold and a final distribution was made to the beneficiary. Accordingly, a net loss of \$10,324 was recognized during 2001.

### NOTE 10 COMMITMENTS AND CONTINGENCIES

#### (A) Operating Lease

The Company renewed its operating lease whereby it reduced the size of its corporate facilities as of November 1, 2001. The lease is an operating lease, which expires October 31, 2003. The Company pays monthly rent of \$3,779, plus 22% of all building expenses. Until November 1, 2002, the Company also occupied adjoining warehouse space on a month-to-month basis at a rate of \$1,275 per month.

Future minimum lease payments under the operating lease at December 31, 2002, consist of the following:

Year	Amount
----	-----
2003	\$37,790
	=====

Rent expense totaled \$58,829 and \$107,502 for the years ended December 31, 2002 and 2001, respectively.

#### (B) Royalty Agreements

On September 14, 1989, the Company entered into a twenty-year royalty agreement relating to its ROAD WHIZ(tm) product. After 20,000 ROAD WHIZ(tm) had been sold, the agreement thereafter provides for a 1% royalty payment on net sales of the ROAD WHIZ(tm) product and 0.5% on the Company's other products that incorporate the ROAD WHIZ(tm) database. Royalty payments are made quarterly until September 13, 2009. During the years ended December 31, 2002 and 2001, royalty expense totaled \$15,936 and \$15,121, respectively.

On September 15, 1998, the Company entered into a three-year royalty agreement with AAA related to the AAA TripWizard(tm). The terms are automatically renewable for one year and amount to 10% of the wholesale price on sales other than through AAA stores and \$1.00 per unit on AAA sales. This

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agreement recognizes the benefit of the AAA logo and data and their promotion of the product through their travel stores. On July 1, 2002, the agreement was amended to provide a royalty of \$1 per unit on all sales of the unit. During the years ended December 31, 2002 and 2001, royalty expense totaled \$25,964 and \$44,844, respectively. On September 15, 2002, this agreement automatically renewed for an additional year.

On April 19, 2001, the Company entered into a three-year royalty agreement with Rand McNally. The agreement renews automatically for one-year periods up to a maximum of five additional years unless terminated earlier. The agreement calls for the Company to pay a royalty of 10% of net sales of the TripLink and Pocket TripLink devices that contain the Rand McNally logo or \$1.50 for each device sold, whichever is greater. For the first year of the agreement, the Company guarantees a minimum payment of \$150,000, and must pay an additional \$50,000 if 50,000 or more devices are sold. The guaranteed annual minimum for each subsequent anniversary year increases to 115% of the amount of the royalties due (inclusive of the guaranteed annual minimum) for the previous year. In addition to the per unit royalty, the Company must pay (1) a royalty of \$.01 to \$.02 for each route created by authorized users of the services provided by the agreement, (2) a royalty of \$0.48 to \$0.62 for each Pocket Road Atlas ordered from Rand McNally, and (3) a \$0.12 license fee for each Pocket Road Atlas shipped to customers. During the years ended December 31, 2002 and 2001, royalty expense totaled \$4,892 and \$145,421, respectively. On February 21, 2002, the royalty agreement with Rand McNally was amended as follows: (1) beginning December 16, 2002, either party may terminate the agreement with sixty days written notice, (2) the Company may begin using the Rand McNally logo on additional products, (3) beginning March 1, 2002, the Company shall pay twelve monthly installments of \$8,333 to the remaining balance of \$100,000 owed to Rand McNally for the first year minimum, and (4) the Company shall sell its TripLink device to Rand McNally for \$7.50 per unit below the normal selling price, and this discount shall be used as a credit against the monthly payment in (3) above. The agreement was modified again in February 2003 (See Note 20(A)).

### (C) Exclusive Distribution Agreement

In November 2002, the Company entered into an exclusive distribution agreement with a major distributor for a branded version of its Talking Road Whiz product. The initial term of the agreement is for the calendar year 2003 and is contingent upon a commitment for 150,000 units with a scheduled delivery date not later than September 30, 2003. The agreement provides for automatic renewal rights if 300,000 or more units are distributed during the initial term.

## NOTE 11 STOCKHOLDERS' DEFICIENCY

### (A) Common Stock Issuances

During 2002, a portion of the notes payable in the amount of \$62,960 was converted to 515,106 shares of common stock. No gain or loss was recognized on this transaction.

During 2002, an aggregate of 11,000 shares of common stock having a fair market value of \$770 were issued to directors for services rendered during the year. The shares were valued based on the prevailing market price on the grant date.

During 2001, a portion of the notes payable in the amount of \$16,095 was converted to 122,646 shares of common stock. No gain or loss was recognized on this transaction.

During 2001, 28 shares of preferred stock having a stated value of

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\$28,000 were converted to 56,118 shares of common stock. No gain or loss was recognized on this transaction.

### (B) Convertible Preferred Stock

#### (i) Original Terms

On May 16, 2000, the Company received from two investors gross proceeds of \$1,600,000 for 1,600 Series A Convertible Preferred Shares (the "Preferred Shares") and 478,506 Common Stock Purchase Warrants ("Warrants") (See Note 12(C)). An additional 16 Preferred Shares were issued to a consultant as a commission. The Preferred Shares have no voting rights, except as to matters which directly affect the rights of holders of Preferred Shares. The holders of Preferred Shares are not entitled to any cash dividends. However, they accrue an additional 11.25% per annum (or 22.5% if the Common Stock is de-listed by NASDAQ) for purposes of conversion, redemption, and liquidation (\$6,529 and \$2,929 at December 31, 2002 and 2001, respectively). The main points of the Preferred Shares were as follows:

1. The Preferred Shares have a liquidation preference, upon the liquidation of the Company or its bankruptcy or certain other events, equal to their \$1,000 face value plus an accrued amount equal to 11.25% from the date of their issuance (22.5% if the Common Stock is delisted by NASDAQ).

2. The Preferred Shares, combined with the additional 11.25% per annum, may be converted into Common Stock at any time at the option of the holders. If not previously converted, the Preferred Shares will automatically convert into Common Stock on May 15, 2003. The conversion rate will be the lower of \$3.50 or 75% of the 5-day average closing bid price, subject to certain anti-dilution rights and to the Floor. The "Floor" was originally \$2.50 and applies only during the first 18 months after issuance of the Preferred Shares. Under the terms of the Preferred Shares, the floor price was initially adjusted to \$2.00, then to \$1.50. In March 2001, the floor was eliminated. The intrinsic value of this beneficial conversion feature has resulted in deemed dividends of \$811,189.

#### (ii) Preferred Stock Dividends

Preferred stock dividends during 2002 and 2001 were comprised of the following:

	2002	2001
	-----	-----
Value of common shares issued	\$ -	\$ 951
Cash payments	-	19,214
Notes payable issued (a)	-	239,360
Preferred stock dividend accumulated during year	3,600	1,800
	-----	-----
Total	\$ 3,600	\$261,325
	=====	=====

(a) See below regarding the exchange of 1,408 shares of series A Preferred Stock for Convertible Promissory Notes.

#### (iii) Amendments to Preferred Stock

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On March 9, 2001, the conversion cap of the Preferred Shares was amended to limit the number of common shares into which the Preferred Shares could be converted during 2001 to 10% of the cumulative trading volume for the 22 trading days preceding conversion. Further, that portion of the conversion cap not utilized during any 30-day period shall not be carried forward to any subsequent periods. In exchange for this concession by the preferred stockholders, the Company agreed to waive the temporary 18-month floor on the conversion price. This amendment was scheduled to expire December 31, 2001. From the date of this amendment through May 11, 2001, the preferred stockholders converted 28 shares of preferred stock into 56,118 shares of common stock. No gain or loss was recognized for the conversions.

Shortly after the March 9, 2001 amendment, the Company commenced negotiations to revise the terms of the Preferred Shares to reduce further the threat of dilution after 2001 that the conversion feature posed to the common stockholders. During negotiations, the Company redeemed (during the period from May 2, 2001 through July 1, 2001) 164 shares of preferred stock for \$194,950 in cash consisting of \$164,000 of face value, \$11,736 of dividends for 2000 and \$19,214 of dividends for 2001. Of the shares redeemed, 114 shares included a 10% premium (deemed a dividend) that had been agreed to by the parties.

On August 13, 2001, the Company entered into an exchange agreement whereby 1,408 of the remaining Preferred Shares (all but 16 of the Preferred Shares) were exchanged for 11.25% senior secured convertible promissory notes (See Note 8).

### NOTE 12 STOCK OPTIONS AND WARRANTS

#### (A) Stock Options Issued Under Qualified Stock Option Plans

Under the 1994 Incentive Stock Option Plan, the Company may grant incentive stock options to its employees, officers, directors, and consultants of the Company to purchase up to 175,000 shares of common stock. Under the 1996 Incentive Stock Option Plan the Company may grant incentive stock options to its employees, officers, directors, and consultants of the Company to purchase up to 175,000 shares of common stock. In July 2000, the Company's shareholders approved an extension of the 1996 Incentive Stock Options plan to provide for 150,000 additional shares to be made available for future grant. Under both plans, the exercise price of each option equals or exceeds the market price of the Company's stock on the date of grant, and the options' maximum term is five years. Options are granted at various times and are exercisable immediately.

During the first quarter of 2002, the Company cancelled incentive stock options to purchase 227,950 shares of common stock at exercise prices ranging from \$1.50 to \$4.00 per share.

During November 2002, the Company granted 390,002 stock options to certain employees during the year ended December 31, 2002. The Company applies APB Opinion No. 25 and related interpretations in accounting for stock options issued to employees. Accordingly, no compensation cost has been recognized for options issued to employees. Had compensation cost been determined based on the fair market value at the grant date, consistent with SFAS 123, the Company's net loss would have changed to the pro-forma amounts indicated below.

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	2002	2001
Net loss available to common shareholders		
As Reported	\$ (2,041,333)	\$ (3,573,337)
Pro Forma	\$ (2,066,456)	\$ (3,573,337)
Basic and diluted loss per share		
As Reported	\$ (0.59)	\$ (1.10)
Pro Forma	\$ (0.60)	\$ (1.10)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2002 and 2001, respectively: dividend yield of zero for all years; expected volatility of 132% and 87%; risk-free interest rates of 5.40% and 3.26%; expected lives of five years for both plans.

A summary of the status of Company's two fixed stock option plans as of December 31, 2002 and 2001, and the changes during the years then ended is presented below:

	2002		2001	
Fixed Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	243,425	\$ 3.29	330,450	\$ 3.69
Cancelled	(227,950)	\$ 3.31		
Granted	390,002	\$ 0.07	2,575	\$ 1.50
Forfeited	-	\$ -	(79,600)	\$ 3.21
Expired	-	\$ -	(10,000)	\$ 7.39
Exercised	-	\$ -	-	\$ -
Outstanding at end of year	405,477	\$ 0.18	243,425	\$ 3.29
Options exercisable at year end	405,477		243,425	
Weighted average fair value of options granted to employees during the year	\$ 0.06		\$ 1.50	

Options Outstanding				Options Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2002	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2002	Weighted Average Exercise Price
\$0.00 - 0.99	390,002	5.0	\$0.07	390,002	\$0.07
1.00 - 1.99	5,160	3.0	1.56	5,160	1.56
2.00 - 2.99	2,965	1.8	2.13	2,965	2.13
3.00 - 3.99	-	-	-	-	-

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4.00 - 4.99	5,692	0.3	4.00	5,692	4.00
5.00 - 5.56	1,658	2.3	5.56	1,658	5.56
	-----			-----	
	405,477	4.87	0.18	405,477	0.18
	=====			=====	

(B) Non-Qualified Stock Options Issued and Outstanding

	2002	2001
	-----	-----
Stock options issued to a consultant that arranged the placement of preferred stock. The term of the option is three years expiring May 16, 2003. The options are exercisable at \$2.50 per share.	128,000	128,000
Stock options issued to a former affiliate. The term of the option is five years expiring May 9, 2005. The options are exercisable at \$4.00 and \$5.00 per share.	300,000	300,000
Stock options issued to directors for services rendered. The term of the options is five years expiring November 18, 2007. The options are exercisable at \$0.07 per share.	22,186	-
	-----	-----
Total	450,186	428,000
	=====	=====

(C) Stock Warrants

In conjunction with the issuance of preferred stock on May 16, 2000, the Company issued warrants to purchase an aggregate of 478,506 shares of the Company's common stock at an exercise price of \$5.00 per share. The warrants are exercisable immediately until expiration on May 16, 2003. In an exchange agreement effective August 13, 2001, the exercise price of the warrants was reduced from \$5.00 to \$1.50 per share. In an amendment to the exchange agreement effective December 11, 2001, the exercise price of the warrants was further reduced from \$1.50 to \$0.50 per share. An additional \$37,529 of expense was recognized due to the re-pricing of the warrants during 2001. As of December 31, 2002, none of the warrants had been exercised.

NOTE 13 NOTES RECEIVABLE ISSUED FOR PURCHASE OF COMMON STOCK

Notes receivable issued for the purchase of common stock represent unsecured advances made by the Company to various employees for stock acquired when the Company went public. The notes bear interest at 6% per annum and are due, together with accrued interest, on demand on either the termination of employment or the sale of the underlying stock, whichever comes first. During 2001, employees began retiring the notes. During 2002, employees accelerated retirement of the notes. During 2002, the notes earned \$4,447 in interest, and \$88,746 of payments were received, including \$34,044 for accrued interest and \$54,702 in principal, reducing the balance at December 31, 2002 to \$102,369.

NOTE 14 LOSS PER SHARE

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A reconciliation of the numerator and denominator of the loss per share calculations is provided for all periods presented. The numerator and denominator for basic and diluted loss per share for the years ended December 31, 2002 and 2001, is as follows:

	2002	2001
Numerator:	-----	-----
Net loss	\$ (2,037,733)	\$ (3,312,012)
Preferred Stock Dividends (a)	(3,600)	(261,325)
	-----	-----
Numerator for basic and diluted loss per share	\$ (2,041,333) =====	\$ (3,573,337) =====
Denominator:		
Weighted average common shares	3,444,312	3,248,125
Common stock equivalents (b)	-	-
	-----	-----
Denominator for basic and diluted loss per share	3,444,312 =====	3,248,125 =====
Basic and diluted loss per share	\$ (0.59) =====	\$ (1.10) =====

(a) See Note 11(B) (ii)

(b) Conversion of the preferred stock was not included in the denominator of the diluted loss per share during 2002 and 2001 because the effect of the preferred stock conversion was anti-dilutive. Options and warrants to purchase 1,334,169 shares of common stock at prices between \$0.07 and \$5.56 per share were outstanding at December 31, 2002, but were not included in the computation of diluted loss per share because they are anti-dilutive. Options and warrants to purchase 1,149,931 shares of common stock at prices between \$1.50 and \$5.56 per share were outstanding at December 31, 2001, but were not included in the computation of diluted loss per share because they were anti-dilutive.

NOTE 15 INCOME TAXES

Income tax expense (benefit) for the years ended December 31, 2002 and 2001 consist of the following:

	2002		
	Current	Deferred	Total
Federal	\$ -	\$ -	\$ -
State	-	-	-
	-----	-----	-----
	\$ -	\$ -	\$ -
	=====	=====	=====
	2001		
	Current	Deferred	Total
Federal	\$ -	\$ -	\$ -
State	-	-	-
	-----	-----	-----
	\$ -	\$ -	\$ -



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Income tax expense for the years ended December 31, 2002 and 2001 differed from amounts computed by applying the statutory U. S. federal corporate income tax rate of 34% to income before income tax benefit as a result of the following:

	2002	2001
	-----	-----
Expected income tax (benefit) expense	\$ (692,829)	\$ (1,126,084)
Increase (decrease) in income taxes resulting from:		
Valuation allowance increase	784,388	1,215,752
Nondeductible expenses for federal income tax purposes	(91,559)	(89,668)
	-----	-----
Income tax expense (benefit)	\$ -	\$ -
	=====	=====

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2002 and 2001 include the following:

	2002	2001
	-----	-----
Deferred tax assets:		
Net operating loss carryforward	\$ 3,714,245	\$ 3,021,416
Note receivable reserved for financial reporting purposes	253,283	253,283
Notes and accounts receivable reserves	5,475	124,197
Inventory reserves, principally due to accruals for financial reporting purposes and basis differences	377,632	147,725
Other	9,604	15,438
	-----	-----
Total deferred tax assets	4,360,239	3,562,059
	-----	-----
Deferred tax liabilities		
Property, plant and equipment, principally due to differences in depreciation basis	(17,179)	(3,387)
	-----	-----
Total deferred tax liabilities	(17,179)	(3,387)
	-----	-----
Gross deferred tax asset	4,343,060	3,558,672
Valuation allowance	(4,343,060)	(3,558,672)
	-----	-----
Net deferred tax asset	\$ -	\$ -
	=====	=====

At December 31, 2002, the Company had net operating loss carryforwards of \$10,924,252 for income tax purposes, available to offset future taxable income expiring on various dates through 2022. The valuation allowance at December 31, 2001 was \$3,558,672. The net change in the valuation allowance during the year ended December 31, 2002 was an increase of \$784,388.

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### NOTE 16 EMPLOYEE BENEFIT PLANS

Effective January 1, 1998, the Board of Director's approved a savings and retirement plan covering all full-time employees. Subject to approval by the Board of Directors, the Company fully matches employee contributions up to 3% of total compensation paid to participating employees and one-third of one percent is matched for each percentage of participating employee contributions between 4% and 6% of total compensation. Expense attributable to Company contributions totaled \$21,949 and \$33,857 during the years ended December 31, 2002 and 2001, respectively.

### NOTE 17 CONCENTRATIONS OF CREDIT RISK

The Company relied on two customers for approximately 74% of sales for the year ended December 31, 2002, and three customers for approximately 79% of sales for the year ended December 31, 2001. At December 31, 2002, accounts receivable from those customers totaled \$127,629.

### NOTE 18 SIGNIFICANT FOURTH QUARTER ADJUSTMENTS

In the fourth quarter of 2002, the Company recorded significant adjustments that increased the net loss by approximately \$812,000. These adjustments included \$613,000 related to an increase in the inventory reserve for obsolescence, and \$199,000 related to the write-off of the remaining capitalized expense for software tools relating to the TRAVEL\*STAR 24(tm). In the fourth quarter of 2001, the Company recorded significant adjustments that increased the net loss by approximately \$664,000. These adjustments included \$244,000 related to reserving accounts receivable from a customer, \$75,000 related to discounting long-term notes receivable to net present value, \$95,000 related to accrual of additional royalty expense and \$250,000 related to the write-off of advertising credits.

### NOTE 19 GOING CONCERN

As shown in the accompanying financial statements, the Company has a net loss of \$2,037,733, a negative cash flow from operations of \$101,745, a working capital deficiency of \$306,228 and a stockholders' deficiency of \$441,621. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company has continued its product design and development efforts to introduce new products in 2003 and expects to introduce its Talking Road Whiz in March 2003. The Company also continues its efforts to expand into new markets. In addition, the Company has obtained short-term loans from investors to fund operations during the launching of this new product until revenues from its sales are received (See Note 20(B)). Management believes that actions presently taken to obtain additional funding provide the opportunity for the Company to continue as a going concern.

### NOTE 20 SUBSEQUENT EVENTS

#### (A) Rand McNally Agreement Amendment

In February 2003, the agreement with Rand McNally was amended to provide a new payment schedule and basis for the TripLink royalties. The Company agreed to pay the remaining balance for the TripLink Program in accordance with the following terms:

The beginning balance of \$52,251 on January 1, 2003, shall bear interest at the rate of 6% APR. The payment schedule shall consist of \$2,000 upon signing of the amendment and \$2,000 on the 15th of each month

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commencing March 15, 2003. On or before August 31, 2003, a final balloon payment is required equal to the sum of the outstanding balance and any accrued unpaid interest, less any credits resulting from TripLink sales in the interim. The agreement was signed and the initial payment of \$2,000 was made in February 2003.

### (B) Private Debt Offering

In December 2002, the Company put forth a private debt offering of secured 12% Promissory Notes limited to \$200,000. For each dollar loaned to the Company, the lender was also entitled to purchase two shares of the Company's common stock for \$.01 per share. The funds received from the debt offering are for a limited purpose described below. All of the proceeds raised under the offering are to be maintained in an escrow account maintained by the Company's attorney. Once the Company receives a purchase order from either of two specified customers, the Company can "draw down" 70% of the P.O. amount from the escrow account in order to purchase the product from a vendor. Once the revenue from the sale is received, the "draw down" funds are to be returned to the escrow account and the Company retains the balance of the sales proceeds. No funds were received during 2002. As of March 1, 2003, the Company had received \$370,130 in eligible purchase orders, and thus 70% (or \$259,091) is eligible for "draw down". The actual "draw down" as of March 1, 2003, was \$160,000 - being all the funds raised as of that date. The offering closes March 31, 2003, unless extended by the Company. The notes are due and payable July 31, 2003.

As part of the offering, the Company also received an aggregate of \$3,200 from the sale of 320,000 common shares having an aggregate fair market value of \$75,200. The shares were valued based on the closing bid price on the date the funds were received. The value allocated to the shares (\$75,200) less the proceeds received for the shares (\$3,200) amounts to \$72,000, which shall be treated as a discount on the private debt offering and amortized over the life of the notes payable as additional interest expense.

### (C) Conversions of Notes Payable

As of March 1, 2003, a portion of the notes payable in the amount of \$60,100 was converted to 369,408 shares of common stock.

### (D) Issuance of Stock to Consultant

In February, 30,000 shares were issued to a consultant for services performed and are included in the current number of shares outstanding on page 1 of this report.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Ultradata Systems, Incorporated

By:

/s/ Monte Ross

-----  
Monte Ross, Chairman

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In accordance with the Exchange Act, this report has been signed below by the following persons, on behalf of the registrant and in the capacities and on the dates indicated.

March 27, 2003

/s/ Monte Ross  
-----

Monte Ross  
Chief Executive Officer and Chairman of the Board

March 27, 2003

/s/Ernest Clarke  
-----

Ernest Clarke,  
Chief Financial and Accounting Officer, Director

March 27, 2003

/s/ Mark L. Peterson  
-----

Mark L. Peterson,  
Director

March 27, 2003

/s/ Donald Rattner  
-----

Donald Rattner  
Director

March 27, 2003

/s/ H. Krollfeifer, Jr.  
-----

H. Krollfeifer, Jr.,  
Director

March 27, 2003

/s/ Matthew Klapman  
-----

Matthew Klapman  
Director

### CERTIFICATIONS

I, Monte Ross, certify that:

1. I have reviewed this annual report on Form 10-KSB of Ultradata Systems, Incorporated;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other

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financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
- c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/s/ Monte Ross

-----  
Monte Ross, Chief Executive Officer

I, Ernest Clarke, certify that:

1. I have reviewed this annual report on Form 10-KSB of Ultradata Systems, Incorporated;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other

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financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
- c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/s/ Ernest S. Clarke

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Ernest Clarke, Chief Financial Officer

### EXHIBIT 99: SECTION 906 CERTIFICATION

The undersigned officers certify that this report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Ultradata Systems, Incorporated.

A signed original of this written statement required by Section 906 has been provided Ultradata Systems, Incorporated and will be retained by Ultradata Systems, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

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Date: March 27, 2003

/s/ Monte Ross

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Monte Ross, Chief Executive Officer

Date: March 27, 2003

/s/ Ernest S. Clarke

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Ernest Clarke, Chief Financial Officer